

House File 532 - Introduced

HOUSE FILE 532

BY GJERDE

A BILL FOR

1 An Act establishing a solar installation tax credit available
2 against the individual and corporate income taxes, the
3 moneys and credits tax, and the franchise tax, and including
4 effective date and retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.10C Solar installation tax
2 credits.

3 1. For installations occurring on or after January 1, 2022,
4 the taxes imposed under this subchapter, less the credits
5 allowed under section 422.12, shall be reduced by a solar
6 installation tax credit equal to the sum of the following:

7 a. Fifty percent of the federal residential energy efficient
8 property credit related to solar energy provided in section
9 25D(a)(1) and section 25D(a)(2) of the Internal Revenue Code,
10 not to exceed five thousand dollars.

11 b. Fifty percent of the federal energy credit related to
12 solar energy systems provided in section 48(a)(2)(A)(i)(II) and
13 section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not
14 to exceed twenty thousand dollars.

15 2. Any credit in excess of the tax liability is not
16 refundable but the excess for the tax year may be credited
17 to the tax liability for the following ten years or until
18 depleted, whichever is earlier. The director of revenue shall
19 adopt rules to implement this section.

20 3. a. An individual may claim the tax credit allowed a
21 partnership, limited liability company, S corporation, estate,
22 or trust electing to have the income taxed directly to the
23 individual. The amount claimed by the individual shall be
24 based upon the pro rata share of the individual's earnings of
25 the partnership, limited liability company, S corporation,
26 estate, or trust.

27 b. (1) A taxpayer who is eligible to claim a credit under
28 this section shall not be eligible to claim a renewable energy
29 tax credit under chapter 476C.

30 (2) A taxpayer shall not be eligible to claim both the tax
31 credit under this section and the solar energy tax credit under
32 section 422.11L for the same installation.

33 c. A taxpayer may claim more than one credit under this
34 section, but may claim only one credit per separate and
35 distinct solar installation. The department shall establish

1 criteria, by rule, for determining what constitutes a separate
2 and distinct installation.

3 *d.* (1) A taxpayer must submit an application to the
4 department for each separate and distinct solar installation.
5 The application must be approved by the department in order to
6 claim the tax credit. The application must be filed by May
7 1 following the year of the installation of the solar energy
8 system.

9 (2) The department shall accept and approve applications
10 on a first-come, first-served basis until the maximum amount
11 of tax credits that may be claimed pursuant to subsection 4
12 is reached. If for a tax year the aggregate amount of tax
13 credits applied for exceeds the amount specified in subsection
14 4, the department shall establish a wait list for tax credits.
15 Valid applications filed by the taxpayer by May 1 following the
16 year of the installation but not approved by the department
17 shall be placed on a wait list in the order the applications
18 were received and those applicants shall be given priority
19 for having their applications approved in succeeding years.
20 Placement on a wait list pursuant to this subparagraph shall
21 not constitute a promise binding the state. The availability
22 of a tax credit and approval of a tax credit application
23 pursuant to this section in a future year is contingent upon
24 the availability of tax credits in that particular year.

25 4. *a.* The cumulative value of tax credits claimed annually
26 by applicants pursuant to this section shall not exceed five
27 million dollars. Of this amount, at least one million dollars
28 shall be reserved for claims associated with or resulting from
29 residential solar energy system installations. In the event
30 that the total amount of claims submitted for residential solar
31 energy system installations in a tax year is an amount less
32 than one million dollars, the remaining unclaimed reserved
33 amount shall be made available for claims associated with or
34 resulting from nonresidential solar energy system installations
35 received for the tax year.

1 *b.* If an amount of tax credits available for a tax year
2 pursuant to paragraph "a" goes unclaimed, the amount of the
3 unclaimed tax credits shall be made available for the following
4 tax year in addition to, and cumulated with, the amount
5 available pursuant to paragraph "a" for the following tax year.

6 5. On or before January 1, annually, the department shall
7 submit a written report to the governor and the general
8 assembly regarding the number and value of tax credits claimed
9 under this section, and any other information the department
10 may deem relevant and appropriate.

11 Sec. 2. Section 422.33, Code 2023, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 33. The taxes imposed under this subchapter
14 shall be reduced by a solar installation tax credit allowed
15 under section 422.10C.

16 Sec. 3. Section 422.60, Code 2023, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 16. The taxes imposed under this subchapter
19 shall be reduced by a solar installation tax credit allowed
20 under section 422.10C.

21 Sec. 4. Section 476C.2, subsection 3, Code 2023, is amended
22 to read as follows:

23 3. A taxpayer who is eligible to claim a renewable energy
24 tax credit under [this chapter](#) shall not be eligible to claim a
25 solar installation tax credit under section 422.10C, 422.33,
26 422.60, or 533.329, or the solar energy system tax credit under
27 section 422.11L, or 422.33, 422.60, or 533.329.

28 Sec. 5. Section 533.329, subsection 2, Code 2023, is amended
29 by adding the following new paragraph:

30 NEW PARAGRAPH. *n.* The moneys and credits tax imposed under
31 this section shall be reduced by a solar installation tax
32 credit allowed under section 422.10C.

33 Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate
34 importance, takes effect upon enactment.

35 Sec. 7. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 2022, for tax years beginning on
2 or after that date.

3

EXPLANATION

4

The inclusion of this explanation does not constitute agreement with
5 the explanation's substance by the members of the general assembly.

5

6 This bill establishes a solar installation tax credit
7 available against the individual and corporate income taxes,
8 the moneys and credits tax, and the franchise tax.

9 The solar installation credit is similar to the solar energy
10 systems tax credit in Code section 422.11L, except the solar
11 installation credit established in the bill couples with
12 current federal law.

13 The credit is equal to 50 percent of the federal residential
14 energy efficient property credit related to solar energy
15 provided in section 25D of the Internal Revenue Code, not to
16 exceed \$5,000, and 50 percent of the federal energy credit
17 related to solar energy systems provided in section 48 of the
18 Internal Revenue Code, not to exceed \$20,000. The credit is
19 nonrefundable, but may be carried forward for 10 years, or
20 until depleted.

21 The bill provides that an individual may claim the tax
22 credit allowed a partnership, limited liability company, S
23 corporation, estate, or trust based upon the individual's pro
24 rata share of the earnings. A taxpayer who is eligible to
25 claim a credit under the bill shall not be eligible to claim
26 a renewable energy tax credit under Code chapter 476C. A
27 taxpayer shall not be eligible to both claim the tax credit
28 under the bill and the solar energy tax credit under Code
29 section 422.11L for the same installation.

30 Further, the bill restricts the cumulative total of solar
31 energy systems tax credits issued for all taxpayers to an
32 amount not exceeding \$5 million annually. Of this amount,
33 at least \$1 million shall be reserved for claims associated
34 with or resulting from residential solar installations. In
35 the event that the total amount of claims submitted for

1 residential solar installations in a tax year is an amount
2 less than \$1 million, the remaining unclaimed reserved amount
3 shall be made available for claims associated with or resulting
4 from nonresidential solar installations received for the tax
5 year. If an amount of tax credits available for a tax year
6 goes unclaimed, the amount of the unclaimed tax credits shall
7 be made available for the following tax year in addition to,
8 and cumulated with, the \$5 million amount available for the
9 following tax year.

10 The bill contains reporting requirements regarding the
11 number and value of tax credits claimed, and any other
12 information the department may deem relevant and appropriate.

13 The bill takes effect upon enactment, and applies
14 retroactively to tax years beginning on or after January 1,
15 2023.